



Theodore C. Marcus  
General Attorney

AT&T Services, Inc.  
1120 20<sup>th</sup> Street NW  
Suite 1000  
Washington, D.C. 20036

202 457-2044 Phone  
202 457-3073 Fax  
theodore.marcus@att.com

August 7, 2008

**VIA ELECTRONIC SUBMISSION**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W. - Room TW-A325  
Washington, D.C. 20554

**Re: Amended Notice of Ex Parte Presentations in WC Docket No. 07-139; CC Docket No. 00-199 & WC Docket No. 04-141**

Dear Ms. Dortch:

On August 5, 2008, the attached written ex parte communication was made on behalf of AT&T Inc. It was later discovered that a vital Appendix was not attached to this filing. The filing has been updated to show the Appendix to the ex parte.

Please include this in the records of the above referenced proceedings.

Respectfully Submitted,

A handwritten signature in cursive script, reading "Theodore C. Marcus", written over a horizontal line.

Theodore C. Marcus  
AT&T Services, Inc.



Linda S. Vandeloop  
Director  
Federal Regulatory

AT&T Services, Inc.  
1120 20<sup>th</sup> Street NW  
Suite 1000  
Washington, D.C. 20036

202 457-3033 Phone  
202 457-3072 Fax  
linda.vandeloop@att.com

August 5, 2008

**EX PARTE NOTICE**

Mr. Scott Deutchman  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

**Re: Petition of AT&T Inc. For Forbearance Under 47 U.S.C. § 160(c) From Enforcement of Certain of the Commission's ARMIS Reporting Requirements, WC Docket No. 07-139; 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3, CC Docket No. 00-199; In the Matter of Local Telephone Competition and Broadband Reporting, WC Docket No. 04-141**

Dear Mr. Deutchman:

When we met on July 1, 2008, you asked us to provide some additional information regarding the customer satisfaction surveys performed by J.D. Power and Associates. We met with representatives of J.D. Power and Associates and they provided the information you requested, which I now forward.

As we discussed during our meeting with you, AT&T believes that customer satisfaction surveys such as those done by J. D. Power and Associates are much more effective vehicles for analyzing customer perception as an indicator of potential service quality issues than the results of the carrier-developed surveys reported in the ARMIS 43-06 report.

Only three carriers develop, conduct and report the ARMIS survey results. Each of the three carriers develops its surveys independently and each only surveys its own customers. By contrast, J.D. Power and Associates surveys a cross-section of customers and compares customer satisfaction among carriers by region. The J.D. Power and Associates Telecommunication surveys can be found at <http://www.jdpower.com/telecom>. J.D. Power and Associates conducts the survey using a combination of direct mail and on-line surveys. J.D. Power and Associates provided the attached summary of the Customer Satisfaction Index Methodology and Customer Commitment Model Overview for reference.

Pursuant to Section 1.1206 of the Commission's Rules, this letter is being filed electronically with the Commission. If you have any questions, please contact me at (202) 457-3033.

Sincerely,

/s/ Linda S. Vandeloop  
AT&T Services, Inc.

# Appendix A

## Customer Satisfaction Index Methodology

While this study covers many areas of consumer’s experience with their telephone company, an overall index of critical satisfaction Factors has been constructed to simplify the review of the information. This Customer Satisfaction Index (CSI) provides a single objective measure by which telephone companies can analyze their residential customers’ satisfaction relative to the competition.

A total of 33 attributes were used to obtain the overall index and Factors for residential telephone satisfaction. The grouping of these attributes into five Factors was confirmed using factor analysis. The relative importance associated with each of the 33 attributes and five Factors was determined using regression analysis. Together they represent a balanced synthesis of the overall residential customer experience.

The 2008 Residential Telephone Customer Satisfaction Index is comprised of five related Factors. These Factors are as follows:

- Customer Service
- Performance and Reliability
- Cost of Service
- Billing
- Offerings and Promotions

**Response Weighting:** The traditional research approach of assigning values to individual responses within a question is used in the initial weighting stage of the index. Rating scales are assigned positive values for each point. In this study, we employed a 10-point scale ranging from Unacceptable to Outstanding with the following values:

Unacceptable			Average					Outstanding	
1	2	3	4	5	6	7	8	9	10

**Relative Question Weighting:** Once values are assigned to responses within a question, the relative correlation of each question is determined using factor analysis. Due to the hierarchical structure of the questionnaire, the factor analysis is used to simply confirm that the grouping of the original attributes is appropriate.

Sometimes not all attributes are included in this type of analysis. Attributes may be excluded from the factor analysis procedure for one or more of the following reasons:

- The question yields a low level of responses. As such, the sample size is not large enough to impact customer satisfaction
- The question shows no significant variation across carriers
- The question bears little or no relationship to the other attributes

In the *2008 Residential Telephone Customer Satisfaction Study Wave 1* we included 33 evaluation attributes in the index model.

**Factor Weighting:** Since one Factor may have a larger or smaller relationship to overall satisfaction than the other Factors, weights for each of the five Factors are calculated using a regression analysis. This regression analysis uses the five sub-OSAT questions in the questionnaire as independent variables and the overall satisfaction question as the dependent variable. The magnitude of the weights for each Factor is as follows:

<u>Factors</u>	<u>Relative Impact</u>
Customer Service	25%
Performance and Reliability	23%
Cost of Service	19%
Billing	19%
<u>Offerings and Promotions</u>	<u>14%</u>
	100%

Based on the weights for each attribute within each of the five Factors, and the mean evaluation of each attribute, the index score for each Factor is calculated. By using indexed data, priorities may be easily set to exploit positive areas and eliminate weaknesses relative to the competition.

The performances for the industry in 2008 have been scored on a scale from 0-1000.

# Appendix B

## Customer Commitment

## Developing Committed Customers within the Voice Industry

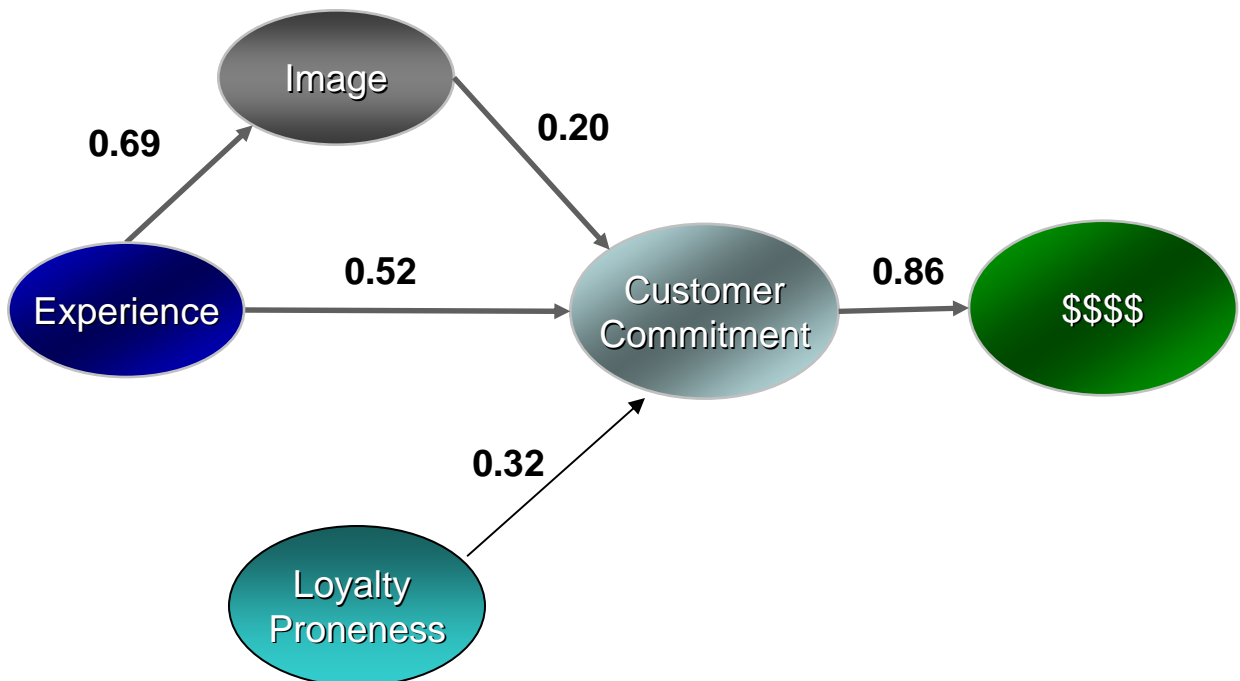
### Overview of the Customer Commitment Model

The J.D. Power and Associates Customer Commitment Model helps companies better understand customer repurchase behavior and future spending intentions. The firm has combined decades of insights regarding the drivers of satisfaction with behavioral intention models in psychology and other social sciences to create a model that predicts spending based upon the customer's level of commitment to a specific brand.

Although the degree to which a company can engender loyalty differs by industry, understanding how to build commitment is critical to helping companies improve their organizations. Commitment is an emotional attachment to a particular product or service, and it is formed, in part, by a combination of three core factors:

How customers *experience* the product/service  
How they *think* about the brand  
How they perceive their *loyalty*

As can be seen in the visual depiction below, commitment has a direct impact on a customer's future spending behavior and loyalty, such that the stronger the level of commitment, the more spending.





## Defining the Elements of Customer Commitment

### Customer Experience

The customer experience (e.g., satisfaction index) has been the core of J.D. Power and Associates consumer marketing research efforts. The firm conceptualizes customer satisfaction as a weighted combination of critical-to-customer experience factors. Because some elements are more important to customers than other elements, understanding their relative importance to satisfaction helps companies prioritize and direct resources to improve customer satisfaction. The two most important critical-to-customer factors measured in this study are customer service and performance.

### Brand Image

While the customer experience forms the foundation for a customer's impression of a brand, it is not the only source of information that people use to formulate an "image" for a particular brand. Through effective marketing, P.R. and other communication initiatives, customers develop an image of the brand even if s/he has no direct experience with a brand. A brand's image can best be understood by determining the characteristics or "attributions" that people have of that brand. We developed a measure of Brand Image that combines the following elements:

- Innovative vs. Conventional
- Reliable vs. Unreliable
- Affordable vs. Expensive
- Customer focused vs. Bottom line focused
- Well managed vs. Poorly managed
- Good reputation vs. Bad reputation

In an effort to continually refine and improve both our Index and Customer Commitment models, the Image "Factor" has been removed from the JDPA Index Model and a more comprehensive Image analysis is contained within the Customer Commitment Model, reflecting Image as an outcome variable influenced by experience.

### Customer Commitment

In addition to modeling the drivers of commitment, the model also assesses each respondent's commitment or emotional attachment to the brand. While satisfaction with an experience will often engender commitment, satisfaction with the experience is not the same as customer commitment. A satisfied but uncommitted customer will leave if a better alternative is presented. A committed customer is less likely to leave due to an emotional attachment or commitment to the brand. To capture this construct, the model uses four agree-disagree statements:

- I feel loyal to [insert current provider]
- I would be disappointed if I could no longer be a customer of [insert current provider]
- I am committed to [insert current provider]
- I am proud to be a customer of [insert current provider]

## Customer Value

The objective of creating committed customers is to produce more valuable customers—those who are less likely to leave and who will bring in new business through their advocacy efforts or willingness to buy additional products and services. While satisfied customers are also more valuable than unsatisfied customers, our previous research indicates that a bigger boost or gain in customer value is obtained by creating committed customers.

The following table shows that over three-fourths (76%) of High Commitment customers “definitely” will not switch in the next 12 months, while only 9% of Low Commitment customers can say they agree with that assessment. High Commitment customers are more likely to give positive recommendations (mean of 4.84 recommendations versus 1.14 for Low Commitment customers), and are less likely to give negative recommendations (mean of .30 recommendations versus 3.21 for Low Commitment customers). High Commitment customers also tend to subscribe to additional services provided by their voice service carrier (51% have additional services versus 31% of Low Commitment customers).

Clearly, the benefit of a committed customer is the greater likelihood of keeping that customer, reducing provider churn costs. In short, customer commitment is directly related to customer value.

Commitment Level	Total	High	Med	Low
		10.33%	57.84%	31.83%
Definitely would not switch	24.35%	76.06%	24.89%	8.77%
Definitely would recommend	13.63%	73.04%	11.41%	0.82%
Number of positive recommendations	1.87	4.84	1.82	1.14
Number of negative recommendations	1.35	0.30	0.49	3.21
Have additional services with phone company	37.15%	51.48%	38.42%	30.82%
% of telecom services provided by phone company	61.95%	65.96%	62.12%	60.51%
% who say the cost of switching would be high	12.72%	28.44%	8.89%	15.19%
Number of alternative services used	1.55	1.39	1.49	1.71